HENRY GEORGE'S SOCIAL FALLACIES.

THE course of economic discussion during the past few months has taken a wholly unexpected turn. Without any cause existing, so far as one can see, in the economical relations of society, the question of private property in land and of the influence of rent upon the distribution of wealth has been precipitated upon us almost as if it were a new question. Whatever may be true of France or Germany, never in England has the discussion of the equities and the economies of landed property been so active and earnest as now; while in the United States we find a large measure of popular attention bestowed upon a work, the fundamental proposition of which is that "the recognition of exclusive property in land is necessarily a denial of the right of property in the products of labor," and the author of which not only appears as a welcome contributor to the press, but is greeted in crowded public meetings as the apostle of great sociological and economical reforms.

Mr. George's work was published in 1879; but, though it had a ready sale and attracted not a little attention, it created its first sensation when reprinted abroad. In Great Britain, the success of this book has been truly remarkable.

"It is not," says the London "Quarterly Review," "the poor, it is not the seditious only, who have been affected by Mr. George's doctrines. They have received a welcome, which is even more singular, amongst certain sections of the really instructed classes. They have been gravely listened to by a conclave of English clergymen. Scotch ministers and non-conformist professors have done more than listen; they have received them with marked approval; they have even held meetings and given lectures to disseminate them. Finally, certain trained economic thinkers, or men who pass for such, in at least one of our universities, are reported to have said that they see no means of refuting them,

and thus they probably mark the beginning of a new political epoch."

Such a reception could hardly be accorded an American book abroad without awakening new interest and stimulating a wider demand for the work at home. There is no reason to suppose that Mr. George's doctrines have yet deeply infected the public mind of the country; yet the ingenuity and eloquence of the writer must produce no inconsiderable effect upon any reader, however intelligent and however fortified by economic study.

Mr. George's attack on landed property is twofold: from the side of natural rights, and from the side of the economic interests of society. With the former this paper has nothing to do. The appeal to such considerations, in the discussion of such a subject, is either absurd or impertinent, since, if "the social dividend" be increased by the system of private ownership of land, that system stands approved on economic grounds, and the appeal to natural rights involves a manifest absurdity as an appeal against the interests of the party in whose name the appeal is taken; while if, on the contrary, the system diminishes "the social dividend," then is it condemned on economic grounds, and nothing further is needed to establish either the expediency or the equitableness of a return to common ownership. And this subjection of the tenure of the soil to economic principles is not something to which Mr. George will take exception. On the contrary, he claims to write as an economist. Let us, then, proceed to examine his work from this side.

I shall not enter into any discussion of Mr. George's proposition that "Wages are produced by the labor for which they are paid." Were this proposition false, we could concede him all the benefit to be derived from its use, and still disprove the main positions of his work. But the proposition contains much truth, although the author's efforts to disparage the importance of the contributions made to current production by capital accumulated in the past involve a fearful straining of economic facts and economic conditions.

As we said, the proposition that "wages are produced by the labor for which they are paid" contains much truth. So far, however, as the proposition is true, it is not original with Mr. George. Prof. Stanley Jevons, in 1871, announced the doctrine that "the wages of a workingman are ultimately coincident with what he produces, after the deduction of rent, taxes, and

the interest of capital."* Nor shall I take the reader's time for a discussion of Mr. George's attempted refutation of Malthus's law of population. Here, again, we might concede this writer all he claims, however erroneous, without giving him ground on which to establish the subsequent truly monstrous propositions of this book. There is nothing original in Mr. George's attack upon Malthusianism; and we should use time that might be more profitably employed were we to recite his threadbare arguments. That which is original in Mr. George's work is the enormous power assigned to rent as a factor in the distribution of wealth. Here his admirers may justly claim for him all the credit of first discovery. No other writer, so far as I am aware, ever attributed to rent anything approaching the same degree of importance.

Mr. Mill, weighed down by a sense of the injustice of allowing the large annual increment in the value of land to pass, unearned, to the landlord, proposed, in 1871, that the State should assert the right of the community to this body of wealth; but Mr. Mill never dreamed of advancing the theory that rent tends, in the progress of society, to absorb the entire gain in productive power and even more than the gain.

On the other hand, we have the recent work of M. Leroy Beaulieu, in which that eminent statistician and economist takes the ground that rent, real economic rent—that is, the compensation paid for the use of the natural powers of the earth, considered separately from the return for improvements effected in the soil by capital and labor—has already sunk to a minimum. M. Leroy Beaulieu declares rent to be no more than the merest mole upon the industrial body; Mr. Mill regards it as an open sore, a drain upon the vitality of the State, which should be checked by stringent surgery and cautery; Mr. George looks upon rent as a cancerous evil, which, growing by what it feeds upon, draws into itself, more and more, the vital forces of the community, extending its deadly influence further every day, and drawing ever nearer to the seat of life.

Reduce rent, as an element in the distribution of wealth, to

*In the pages of this REVIEW, in January, 1875, I laid down the following proposition: "Wages are really paid out of the product of current industry; and that product bears no constant relation to capital. Capital only affects wages as it first affects production. Wages, therefore, stand related to product in the first degree, and to capital only in the second degree."

the importance assigned it by Mr. Mill, and Mr. George's work would be emptied of all original significance. It would remain no more than a passionate tract, in advocacy of the proposals put forth for the nationalizing of the land by the British Land Tenure Reform Association, of which Mr. Mill was president, twelve years ago. Here, then, right here, in the highly magnified importance assigned to rent, we find all there is of Mr. George's work which has originality or novelty. Let us, therefore, confine ourselves strictly to this point.

In the first place, I remark, negatively, that Mr. George does not attack property in general. He does not rail at capital or impeach its claim to recompense. On the contrary, it is a part of the charge he brings against rent, that it tends more and more to absorb the rightful gains of capital as well as of labor. In the second place, Mr. George is not an opponent of the Ricardian doctrine concerning rent. The law of rent is, he says, "correctly apprehended by the current political economy." Indeed, so far is Mr. George from being an opponent of the Ricardian law, it is in the unheard of extension which he gives to this principle that the essence of his teaching consists.

Let us now proceed to state Mr. George's position affirmatively. As we have agreed, for the purpose of the present discussion, to concede the sufficiency of his arguments in refutation of the doctrine of Malthus, we will, for simplicity, follow Mr. George only in his analysis of the effect of rent acting upon a stationary population.

What, then, fundamentally, is his position? "Irrespective," he says, "of the increase of population, the effect of improvements in methods of production and exchange is to increase rent." The proof of this is as follows, in his own words:

"Demand is not a fixed quantity that increases only as population increases. In each individual it rises with his power of getting the things demanded. . . . This being the case, the effect of labor-saving improvements will be to increase the production of wealth. Now, for the production of wealth, two things are required,—labor and land. Therefore, the effect of labor-saving improvements will be to extend the demand for land. . . . And thus, while the primary effect of labor-saving improvements is to increase the power of labor, the secondary effect is to extend cultivation, and, where this lowers the margin of cultivation, to increase rent.

"Thus, where land is entirely appropriated, as in England, or where it is either appropriated or is capable of appropriation as rapidly as it is needed for use, as in the United States, the ultimate effect of labor-saving machinery or improvements is to increase rent without increasing wages or interest."

And he concludes, after frequently repeating and illustrating this statement, with the following proposition:

"Wealth, in all its forms, being the product of labor applied to land, or the products of land, any increase in the power of labor, the demand for wealth being unsatisfied, will be utilized in procuring more wealth, and thus increase the demand for land."

He says further:

"The mere laborer has thus no more interest in the general advance of productive power than the Cuban slave has in advance in the price of sugar. And just as an advance in the price of sugar may make the condition of the slave worse, by inducing the master to drive him harder, so may the condition of the free laborer be positively, as well as relatively, changed for the worse by the increase in the productive power of his labor. For, begotten of the continuous advance of rents, arises a speculative tendency which discounts the effect of future improvements by a still further advance of rent."

The last sentence will introduce to the reader Mr. George's second count in his arraignment of rent as the great social criminal:

"In rapidly progressing communities, where the swift and steady increase of rent gives confidence to calculations of further increase, . . . the confident expectation of increased prices produces, to a greater or less extent, the effects of a combination among land-holders, and tends to the withholding of land from use in expectation of higher prices, thus forcing the margin in cultivation farther than required by the necessities of production."

But this is not the end. The third and final count in this indictment is, that the speculative holding of land becomes the cause of incessant industrial disturbance and of great periodic convulsions of production and trade.

"The primary and fundamental occupations, which create a demand for all others, are evidently those which extract wealth from nature, and hence, if we trace from one exchange point to another, and from one occupation to another, this check to production, which shows itself in decreased purchasing power, we must ultimately find it in some obstacle which checks labor in expending itself on land. And that obstacle, it is clear, is the speculative advance in rent, or the value of land, which produces the same effects as (in fact, it is) a lock-out of labor and capital by land-owners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point, cessation of supply becoming failure of demand, until, so to speak, the whole machine is thrown out of gear, and the spectacle is everywhere presented of labor going to waste, while laborers suffer from want."

This concludes Mr. George's arraignment of private property in land. It is upon what has been already presented, mainly in his own words, that Mr. George is to stand or fall as an economist.

It must be confessed that, if the three counts in this indictment be sustained, the author is fully borne out in his conclusion that "material progress does not merely fail to relieve poverty; it actually produces it," or, as he elsewhere says, "whatever the increase of productive power, rent steadily tends to swallow up the gain and more than the gain," or, again, "the ownership of the land on which and from which a man must live is virtually the ownership of the man himself, and, in acknowledging the right of some individuals to the exclusive use and enjoyment of the earth, we condemn other individuals to slavery as fully and completely as though we had formally made them chattels."

To a man who really believed a half, a quarter, or only a tithe of this, the conclusion which Mr. George announces at the close of the following paragraph would appear inevitable:

> "As long as this institution exists, no increase in productive power can permanently benefit the masses, but, on the contrary, must tend to still further depress their condition. . . . Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labor, is monopolized. To extirpate poverty, to make wages what justice demands they should be, the full earnings of the laborer, we must, therefore, substitute for the individual ownership of land a common ownership."

We cannot be greatly interested in Mr. George's practical recommendations for carrying out his proposals for "nationalizing" the land. Matters of this sort are generally left to statesmen, not to economists; and should ever the abolition of private property be decreed, there is little reason to hope that Mr. George would be called in to adjust the details of the scheme.

But let us proceed to inquire somewhat particularly into the validity of the economic argument by which Mr. George establishes the overwhelming importance which he attributes to rent as a factor in the distribution of wealth. If it can be made to appear that this argument embodies a series of gigantic blunders, shall we not be justified in affixing to his work the epithet of the "Edinburgh Review"—"a deleterious compound of anarchical principles and false political economy"?

I will not insist very strongly on the point, although a per-

fectly valid one, that, while Mr. George's argument assumes that maximum economic rents, according to the Ricardian formula, are in all cases paid for the use of land, the contrary is the general fact. The United States and Ireland are, perhaps, the only considerable civilized countries in which "competition" rents have ever been paid, as a rule.

But passing this point, although it is of unimpeachable validity, since the entire effect of the causes indicated is to reduce the importance of economic, or competitive, rent in the distribution of wealth, let us take up, in reversed order, Mr. George's three counts against rent as the great social criminal.

And, first, how much is there in the allegation that commercial disturbance and industrial depression are due chiefly to the speculative holding of land?

That land, in its own degree, shares with other species of property in the speculative impulses of exchange, is undeniable. Doubtless, to destroy private property would remove speculation, just as cutting off the head is a sure and sovereign remedy for toothache; but Mr. George makes no point against private property in land, unless he shows that it is peculiarly the subject of speculative impulses. Now, this is so far from being either self-evident or established by an adequate induction, that the reverse is the general opinion of economic writers.

Probably the best case of speculation, for what may be called nosological economic investigation, is that induced by a large and sudden paper-money inflation. Here we get speculation in its purest form. Now, the history of paper-money inflations indicates that land, instead of rising first and furthest of all species of property, usually starts latest and stops earliest.

Of course there are circumstances under which speculative impulses may especially attack land. An instance of this is afforded by the history of land in California. Here was a community of a highly artificial character, having little normal trade or manufactures, whose chief industry, the mining of the precious metals, was already rapidly on the wane, when the opening of the transcontinental railway aroused the most extravagant expectations of a rise in the value of land. San Francisco was to control the trade of America and Asia; the wealth of continents was to be poured into her lap. A wild career of land speculation followed. Mr. George, as a resident of San Francisco, appears to have been completely carried away by his

observation of this episode. What was local and accidental he has magnified into a universal and characteristic feature of speculation.

We now come to Mr. George's second count. The allegation that the enhancement of the value of land, above what should be regarded as the capitalized value of its present productive or income-yielding power, withdraws large bodies of land from cultivation, thus driving labor and capital to poorer or more distant soils, can only be characterized as a baseless assumption, for which not a particle of proper statistical evidence can be adduced, and which is contrary to the reason of the case.

Because, forsooth, a man is holding a tract of land in the hope of a rise in its value, does that constitute any reason why he should refuse to rent it this year or next, and get from it what he can, were it only enough to pay his taxes?

Doubtless, a certain amount of urban property is so withheld from present use, yet any one familiar with the city in which he lives can readily pick out hundreds, or thousands, of lots which are now occupied by cheap and temporary structures, whose rent pays the taxes and a part at least of the interest of the money borrowed for the purpose of holding the property.

Let us now proceed to deal with Mr. George's main proposition, that to which those already discussed are subsidiary; that which constitutes the most original feature of his system — the proposition, to wit, that "irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent," this effect being carried so far that "all the advantages gained by the march of progress go to the owners of land, and wages do not increase," the laborer having "no more interest in the general advance of productive power than the Cuban slave has in advance in the price of sugar"; capital, also, in its turn, suffering, and to an equal extent, since "the ultimate effect of labor-saving machinery or improvements is to increase rent without increasing wages or interest."

Now, this is not only false, but ridiculously false, blunder being piled on blunder to reach a conclusion so monstrous. It is, to start with, directly opposed to facts of common observation and to the results of economic statistics. Were a physiologist to announce the general proposition that all a man gains in weight above one hundred and fifty pounds goes to increase the brain, so that if a man of that weight has a brain weighing

forty-eight ounces, a man turning the scale at one hundred and eighty pounds will be found to have a brain weighing thirty-three pounds, he would not invoke more deserved derision.

And, first, of wages: Sir James Caird, the highest authority in Great Britain in matters of agricultural economy, states that "the laborer's earning power in procuring the staff of life cost him five days' work to pay for a bushel of wheat in 1770; four days in 1840, and two and a half days in 1870." Sir James adds, "He is better lodged than he ever was before."

But Mr. George also asserts that the capitalist has suffered equally under the encroachments of the landlord. To this no better answer can be given than that of Prof. Emile de Laveleye: "Who occupy the pretty houses and villas which are springing up in every direction in all prosperous towns? Certainly more than two-thirds of these occupants are fresh capitalists. The value of capital engaged in industrial enterprise exceeds that of land itself, and its power of accumulation is far greater than that of ground rents."

So much for facts of common observation. But now let us examine Mr. George's line of reasoning directly.

"The effect," he says, "of labor-saving machinery will be to increase the production of wealth. Now, for the production of wealth two things are needed,—labor and land. Therefore, the effect of labor-saving improvements * will be to extend the demand for land." But not, also, for labor? If two things are required for production, land and labor, is it not possible that an increase of production may involve an enhanced demand for both these things, for labor no less than for land? But this is Pelion; Ossa lies groaning beneath. For it is not true that an increased production of wealth necessarily implies any enhanced demand for land whatsoever.

Here is a pound of cotton, the production of which makes a certain demand or drain upon the land. To that cotton, as the material of a textile fabric, may be applied, say, the labor of one operative for half an hour. Subsequent demands for the production of wealth may lead to the application of an hour's labor, producing a finer fabric; then, of two hours' labor, until, at last, the pound of cotton has been wrought into the most exqui-

* Mr. George elsewhere says: "In the improvements which advance rent are not only to be included the improvements which directly increase productive power, but also such improvements in government, manners, and morals as indirectly increase it."

site product of the modern loom, yet with no greater demand upon the soil than in the case of the coarsest cloth.

But we may go further and assert that in the progress of civilization, which Mr. George describes as venting its whole economic force in causing a rise of rents, increase of production takes two great forms: one in which no increase whatever in the demand for land is involved; the other, where the increased demand for land falls short, generally far short, often immeasurably short, of the increased demand for labor.

Here is the rude furniture of a laborer's cottage, worth, perhaps, thirty dollars. The same amount of wood may be wrought into cabinets and tables, worth a thousand dollars, for the drawing-room of the millionaire. The steel that would be needed to make a scythe, worth eighty cents, may be rendered into watch-springs or surgical instruments, worth a hundred dollars. The actual material derived from the soil — canvas, paints, and frame — for a picture by Meissonier, seven inches by nine, worth ten thousand dollars, does not make so large a draft upon the productive essences of the soil as a chromo sold from a peddler's cart at two dollars. The peddler's old piebald horse eats as much of the actual produce of the earth as a blooded racer worth five thousand dollars.

These, of course, are extreme instances, taken for the purpose of showing graphically and briefly the tendency which exists, as civilization advances, to increase the amount of labor applied to any given amount of raw material.

But worse respecting Mr. George still remains. Let us no longer hold him accountable for the absurd proposition that all the advantages of increased production go to the land-owner, rent absorbing the entire excess, leaving nothing to go to enhance wages or to interest. Let us, in charity, concede that Mr. George never said this, and take up, finally, for consideration the proposition that it is the necessary effect * of improvements in the methods of production or exchange to increase rent at all. If we can disprove this, if we can show that Mr. George has rigged

* I trust I shall not be understood as denying that it is the effect of many classes of improvements, irrespective of increase of population, to enhance rent, though this is never carried to the full extent of the gain in productive power. Of course, where increase of population follows, rent rises naturally; but we are discussing Mr. George's distinct proposition, that, "irrespective of increase of population," it is the effect of every class of improvements, from whatever source, even through improvement in morals and social order, to enhance rent.

his pumps the wrong way, like the officers of the French steamship L'Amérique, who pumped water into the hold of their vessel for a whole day and then abandoned her in a sinking condition, we may fairly conclude that the world has nothing to learn from this writer concerning the economics of rent.

Let us take two great classes of improvements: these will suffice to test the principle. And, first, of improvements in transportation. Is it the effect of improvements of this class to enhance rents? Absolutely and exclusively, the reverse. Whatever quickens and cheapens transportation acts directly to the reduction of rents, and cannot act in any other way,* since it throws out of cultivation the poorer lands previously in use for the supply of the market, thus raising the "margin of cultivation," and, by consequence, reducing rents. It is this cause, intensifying American competition, which has brought about such a terrific reduction of English rents within the past five or ten years.

But again, take the case of agricultural improvements. Improved processes of agriculture are of two kinds: one consisting of those which do not increase the amount of produce from a given tract of land, but diminish the labor and expense of obtaining it, such as better tools and machinery; the other, consisting of those which enable the same land to yield a greater absolute produce without an equivalent increase of labor, such as rotation of crops, subsoil plowing, tile-draining, etc.

Now, of these two classes, the former diminish rent; the latter diminish it still more. The former diminish it, since while by Ricardo's law—which Mr. George accepts in its entirety and integrity—the actual amount of the produce going to the landlord remains the same, the value of this produce, its power to command non-agricultural products, is diminished through the reduced cost of production. The latter class of improvements diminish rents still more, since, in addition to the effect just noted, the amount of the produce going to the landlord is reduced by the fact that the actual productive capability of the better lands being by the statement of the case enhanced, the poorer lands will be thrown out of cultivation, and thus the "margin of cultivation" will be raised, and the aggregate volume of rents will be diminished.

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* "Irrespective of the increase of population," to use Mr. George's own voluntary qualification.